
Department of Health and Human Services

Governor's Recommended Adjustments to Base Budget

Department of Health and Human Services (144xx)

Recommended General Fund Budget and Positions

	<u>2013-14</u>	<u>2014-15</u>
Base Budget		
Requirements	\$17,493,173,621	\$17,492,856,772
Receipts	<u>\$12,877,303,246</u>	<u>\$12,862,296,236</u>
Appropriation	\$4,615,870,375	\$4,630,560,536
Recommended Adjustments		
Requirements	\$1,000,954,637	\$1,558,882,330
Receipts	<u>\$857,899,344</u>	<u>\$1,225,146,421</u>
Appropriation	\$143,055,293	\$333,735,909
Total		
Requirements	\$18,494,128,258	\$19,051,739,102
Receipts	<u>\$13,735,202,590</u>	<u>\$14,087,442,657</u>
Recommended Appropriation	<u>\$4,758,925,668</u>	<u>\$4,964,296,445</u>
Positions		
Base Budget Positions	17,581.490	17,581.490
Continuation	-	-
Reductions	(6.000)	(6.000)
Expansion	<u>9.000</u>	<u>9.000</u>
Recommended Positions	<u>17,584.490</u>	<u>17,584.490</u>

Total Recommended Continuation

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	\$1,048,132,721	\$1,629,268,333
Receipts	827,956,199	1,199,089,403
	<hr/>	<hr/>
Appropriation	\$220,176,522	\$430,178,930
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Positions	-	-

Total Recommended Reductions

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	(\$207,745,583)	(\$318,306,759)
Receipts	(58,805,999)	(136,880,731)
	<hr/>	<hr/>
Appropriation	(\$148,939,584)	(\$181,426,028)
Positions	(6.000)	(6.000)
Nonrecurring		
Requirements	-	-
Receipts	4,173,946	-
	<hr/>	<hr/>
Appropriation	(\$4,173,946)	-
Positions	-	-

Total Recommended Expansion

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	\$132,717,901	\$241,967,979
Receipts	89,401,544	167,764,095
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Appropriation	\$43,316,357	\$74,203,884
Positions	9.000	9.000
Nonrecurring		
Requirements	\$27,849,598	\$5,952,777
Receipts	(4,826,346)	(4,826,346)
	<hr/>	<hr/>
Appropriation	\$32,675,944	\$10,779,123
Positions	-	-

**Total Recommended Adjustments for
Department of Health and Human Services
2013-15**

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	\$973,105,039	\$1,552,929,553
Receipts	858,551,744	1,229,972,767
	<hr/>	<hr/>
Appropriation	\$114,553,295	\$322,956,786
Positions	3.000	3.000
Nonrecurring		
Requirements	\$27,849,598	\$5,952,777
Receipts	(652,400)	(4,826,346)
	<hr/>	<hr/>
Appropriation	\$28,501,998	\$10,779,123
Positions	-	-
Total Appropriation Adjustments	\$143,055,293	\$333,735,909
Total Position Adjustments	3.000	3.000

Governor's Recommended Adjustments to Base Budget

Division of Central Management and Support (14410)

Recommended General Fund Budget and Positions

	<u>2013-14</u>	<u>2014-15</u>
Base Budget		
Requirements	\$119,402,252	\$120,092,413
Receipts	<u>\$65,373,898</u>	<u>\$65,373,898</u>
Appropriation	\$54,028,354	\$54,718,515
Adjustments		
Requirements	\$4,865,691	\$11,290,729
Receipts	-	-
Appropriation	\$4,865,691	\$11,290,729
Total		
Requirements	\$124,267,943	\$131,383,142
Receipts	<u>\$65,373,898</u>	<u>\$65,373,898</u>
Recommended Appropriation	<u>\$58,894,045</u>	<u>\$66,009,244</u>
Positions		
Base Budget Positions	638.250	638.250
Continuation	-	-
Reductions	(6.000)	(6.000)
Expansion	-	-
Recommended Positions	<u>632.250</u>	<u>632.250</u>

Appropriation Items -- Recommended Adjustments

Reductions

2013-14 2014-15

1. Office of Citizen Services Positions

S.L. 2011-145 abolished the NC Care Line in the Office of Citizens Services. Six positions remain for administrative overhead to the NC Care Line. This action eliminates the six remaining positions.

Appropriation (\$339,787) (\$339,787)

Positions (6,000) (6,000)

2. Operating Efficiencies

This recommendation has identified operating funds in the Division of Central Management that will be repurposed for general fund availability. This action does not impact the division's ability to carry out its services.

Appropriation (\$332,830) (\$332,830)

Total Recommended Reductions

2013-14 2014-15

Recurring

Requirements (\$672,617) (\$672,617)

Receipts - -

Appropriation (\$672,617) (\$672,617)

Positions (6,000) (6,000)

Nonrecurring

Requirements - -

Receipts - -

Appropriation - -

Positions - -

Expansion

2013-14 2014-15

1. North Carolina Families Accessing Services through Technology (NC FAST)

The North Carolina Families Accessing Services through Technology (NC FAST) information technology system will provide Medicaid eligibility determinations for the federally facilitated Health Benefit Exchange that will operate in North Carolina. Families will benefit by having a "one-stop shop" for all services and benefits for which they may be eligible, with one-time communication of their information and needs. This funding continues NC FAST development and implementation. NC FAST Projects 2 and 6 (Eligibility Information System), Project 3 (Child Care, Low Income

Energy Assistance and Crisis Intervention Programs), and NC FAST Federally-Facilitated Exchange (FFE) Interoperability are being expedited within the project schedule in order to take advantage of the availability of 90/10 funding through the Centers for Medicare and Medicaid Services technology related investments.

Appropriation - Nonrecurring - \$864,655

2. Department of Justice Settlement

Pursuant to an agreement between the State of North Carolina and the US Department of Justice, North Carolina has agreed to develop and implement effective measures to prevent inappropriate institutionalization and to provide adequate and appropriate public services and supports in the most integrated setting appropriate to meet the needs of individuals with Serious Mental Illness (SMI). This funding provides for development and implementation measures to prevent inappropriate institutionalization and provide housing and support services to at least 150 additional individuals by 2014 and 708 individuals by 2015.

Appropriation \$3,834,275 \$9,394,658

3. Office of Rural Health - Medication Assistance Program

The North Carolina Office of Rural Health and Community Care assists underserved communities and populations to develop innovative strategies for improving access, quality, and cost-effectiveness of health care. Funding will continue to provide prescription assistance software and technical assistance to community practices wanting to assist their uninsured, low-income patients in obtaining prescription drugs by linking patients with pharmacy manufacturers' free drug programs.

Appropriation \$1,704,033 \$1,704,033

4. Medicaid Management Information System (MMIS) Replacement Program

The Medicaid Management Information System (MMIS) will replace a 34 year-old system currently used by the Department of Health and Human Services (DHHS). The system will be used by multiple divisions within DHHS, and its primary purpose will be to pay Medicaid claims for the Division of Medical Assistance (DMA). DHHS is directed to continue funding MMIS Implementation using prior year earned revenue (\$9,658,152 NR in FY 2013-14 and \$1,666,625 NR in FY 2014-15). If prior year earned revenue is unrealized, then the Department shall use other overrealized receipts within the Department with approval from the Office of State Budget and Management (OSBM). Funding shall include program support and vendor payments for the following items: (1) replacement of MMIS; (2) reporting and analytics; (3) Division of Health Service Regulation (DHSR) Business Process Automation System; (4) replacement of MMIS operations; and (5) program support.

Appropriation - Nonrecurring -

Total Recommended Expansion

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	\$5,538,308	\$11,098,691
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$5,538,308	\$11,098,691
Positions	-	-
Nonrecurring		
Requirements	-	\$864,655
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	\$864,655
Positions	-	-

**Total Recommended Adjustments for
Division of Central Management and Support (14410)
2013-15**

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	\$4,865,691	\$10,426,074
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$4,865,691	\$10,426,074
Positions	(6.000)	(6.000)
Nonrecurring		
Requirements	-	\$864,655
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	\$864,655
Positions	-	-
Total Appropriation Adjustments	\$4,865,691	\$11,290,729
Total Position Adjustments	(6.000)	(6.000)

Governor's Recommended Adjustments to Base Budget

Division of Aging and Adult Services (14411)

Recommended General Fund Budget and Positions

	<u>2013-14</u>	<u>2014-15</u>
Base Budget		
Requirements	\$114,678,794	\$113,671,784
Receipts	<u>\$60,235,598</u>	<u>\$59,228,588</u>
Appropriation	\$54,443,196	\$54,443,196
Adjustments		
Requirements	\$548,539	\$548,539
Receipts	<u>\$49,394</u>	<u>(\$150,606)</u>
Appropriation	\$499,145	\$699,145
Total		
Requirements	\$115,227,333	\$114,220,323
Receipts	<u>\$60,284,992</u>	<u>\$59,077,982</u>
Recommended Appropriation	<u>\$54,942,341</u>	<u>\$55,142,341</u>
Positions		
Base Budget Positions	73.500	73.500
Continuation	-	-
Reductions	-	-
Expansion	-	-
Recommended Positions	<u>73.500</u>	<u>73.500</u>

Appropriation Items -- Recommended Adjustments

Reductions

	<u>2013-14</u>	<u>2014-15</u>
1. Seat Management Funding		
The department discontinued outsourcing management of its workstation capabilities, including installation, operation and maintenance of hardware and software (i.e., Seat Management). The reduction redirects Seat Management funding to General Fund availability.		
Requirements	(\$7,016)	(\$7,016)
Receipts	(\$6,161)	(\$6,161)
Appropriation	(\$855)	(\$855)

Total Recommended Reductions

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	(\$7,016)	(\$7,016)
Receipts	(6,161)	(6,161)
Appropriation	(\$855)	(\$855)
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-

Expansion

	<u>2013-14</u>	<u>2014-15</u>
1. Project C.A.R.E. (Caregiver Alternatives to Running on Empty)		
Project C.A.R.E. uses a Family Consultant model to support families caring for persons with Alzheimer's and dementia. The program provides counseling, training and respite care to equip families to care for their affected family member and avoid more costly institutional care. The recommendation replaces an expiring federal grant and will maintain the current level of service.		
Requirements	\$555,555	\$555,555
Receipts	\$55,555	\$55,555
Appropriation	\$500,000	\$500,000
2. Long-Term Care Ombudsman		
The Long Term Care Ombudsmen is an advocacy program for residents in nursing homes and adult care homes throughout North Carolina. Ombudsmen provide an informal grievance resolution process, working to resolve complaints made by or on behalf of residents of long term care facilities. In the 2011-13 budget, the General Assembly refinanced the program with Civil Monetary Penalties, federal fines assessed on nursing homes. The Centers for Medicare and Medicaid Services (CMS) has subsequently limited the use of these fees to one-time quality improvement initiatives. The recommendation is to replace lost federal revenue and maintain the current level of service.		
Requirements	-	-
Receipts		(\$200,000)
Appropriation	-	\$200,000
Total Recommended Expansion		
	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	\$555,555	\$555,555
Receipts	55,555	(144,445)
Appropriation	\$500,000	\$700,000
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-

**Total Recommended Adjustments for
Division of Aging and Adult Services (14411)
2013-15**

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	\$548,539	\$548,539
Receipts	49,394	(150,606)
	<hr/>	<hr/>
Appropriation	\$499,145	\$699,145
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Positions	-	-
 Total Appropriation Adjustments	 \$499,145	 \$699,145
Total Position Adjustments	-	-

Governor's Recommended Adjustments to Base Budget

Division of Child Development and Early Education (14420)

Recommended General Fund Budget and Positions

	<u>2013-14</u>	<u>2014-15</u>
Base Budget		
Requirements	\$667,921,856	\$667,921,856
Receipts	<u>\$408,667,773</u>	<u>\$408,667,773</u>
Appropriation	\$259,254,083	\$259,254,083
Adjustments		
Requirements	\$23,537,686	\$23,537,686
Receipts	<u>\$17,968,441</u>	<u>\$17,968,441</u>
Appropriation	\$5,569,245	\$5,569,245
Total		
Requirements	\$691,459,542	\$691,459,542
Receipts	<u>\$426,636,214</u>	<u>\$426,636,214</u>
Recommended Appropriation	<u>\$264,823,328</u>	<u>\$264,823,328</u>
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Positions		
Base Budget Positions	303.750	303.750
Continuation	-	-
Reductions	-	-
Expansion	<u>9.000</u>	<u>9.000</u>
Recommended Positions	<u>312.750</u>	<u>312.750</u>

Appropriation Items -- Recommended Adjustments

Reductions

	<u>2013-14</u>	<u>2014-15</u>
1. Change County Services Support from 4% to 3% of Subsidized Child Care Allocations		
Savings will be achieved within administration of the subsidized child care program from the implementation of a new attendance tracking and payment system known as the Subsidized Early Education for Kids (SEEK) system. SEEK will automate manual processes, such as keying attendance data and issuing checks to providers, which will lead to reduced administrative costs in local divisions of social services. As a result, new standards will reduce administrative costs from 4% to 3% of a county's subsidized child care allocation or \$80,000, whichever is greater.		
Appropriation	(\$2,624,189)	(\$2,624,189)
2. Shift Regulatory Positions from State to Federal Funding		
Federal block grant funds will be used to fund fourteen regulatory positions previously supported by state appropriation within the division.		
Requirements	-	-
Receipts	\$900,000	\$900,000
Appropriation	(\$900,000)	(\$900,000)
3. Seat Management Funding		
The department discontinued outsourcing management of its workstation capabilities, including installation, operation and maintenance of hardware and software (i.e., Seat Management). The reduction redirects Seat Management funding to General Fund availability.		
Appropriation	(\$38,125)	(\$38,125)
Total Recommended Reductions		
	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	(\$2,662,314)	(\$2,662,314)
Receipts	900,000	900,000
Appropriation	(\$3,562,314)	(\$3,562,314)
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-

Expansion

2013-14 2014-15

1. NC Pre-K

The North Carolina Pre-K Program provides high-quality educational experiences to enhance school readiness for eligible four-year-olds. This investment in the Pre-K program will serve 5,000 additional at-risk four-year-olds, which will bring the total number of permanent slots to approximately 29,400. Expansion funding is composed of lottery receipts and state appropriation.

Requirements	\$26,200,000	\$26,200,000
Receipts	\$17,068,441	\$17,068,441
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Appropriation	\$9,131,559	\$9,131,559
Positions	9.000	9.000

Total Recommended Expansion

2013-14 2014-15

Recurring

Requirements	\$26,200,000	\$26,200,000
Receipts	17,068,441	17,068,441
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Appropriation	\$9,131,559	\$9,131,559
Positions	9.000	9.000

Nonrecurring

Requirements	-	-
Receipts	-	-
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Appropriation	-	-
Positions	-	-

**Total Recommended Adjustments for
Division of Child Development and Early
Education (14420)
2013-15**

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	\$23,537,686	\$23,537,686
Receipts	17,968,441	17,968,441
	<hr/>	<hr/>
Appropriation	\$5,569,245	\$5,569,245
Positions	9.000	9.000
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Positions	-	-
Total Appropriation Adjustments	\$5,569,245	\$5,569,245
Total Position Adjustments	9.000	9.000

Governor's Recommended Adjustments to Base Budget

Division of Public Health (14430)

Recommended General Fund Budget and Positions

	<u>2013-14</u>	<u>2014-15</u>
Base Budget		
Requirements	\$842,852,043	\$842,852,043
Receipts	<u>\$686,067,541</u>	<u>\$686,067,541</u>
Appropriation	\$156,784,502	\$156,784,502
Adjustments		
Requirements	(\$13,948,000)	(\$13,948,000)
Receipts	-	-
Appropriation	(\$13,948,000)	(\$13,948,000)
Total		
Requirements	\$828,904,043	\$828,904,043
Receipts	<u>\$686,067,541</u>	<u>\$686,067,541</u>
Recommended Appropriation	<u>\$142,836,502</u>	<u>\$142,836,502</u>
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Positions		
Base Budget Positions	2,105.790	2,105.790
Continuation	-	-
Reductions	-	-
Expansion	-	-
Recommended Positions	<u>2,105.790</u>	<u>2,105.790</u>

Appropriation Items -- Recommended Adjustments

Reductions

2013-14 2014-15

1. Early Intervention

Early Intervention serves children birth to age 3 with, or at risk for, developmental delays or developmental disabilities, and their families. This reduction is based on the program's actual spending over the past three years and does not reflect a decrease in services provided. Excess funding is repurposed for general fund availability.

Appropriation (\$8,000,000) (\$8,000,000)

2. ADAP Drug Purchases

AIDS Drugs Assistance Program (ADAP) provides pharmaceuticals to financially-eligible persons with AIDS. There are currently two sources of funding for ADAP, the federal Ryan White CARE Act and state appropriations. Funding is reduced to more accurately reflect current spending levels. Excess funding is repurposed for general fund availability.

Appropriation (\$8,000,000) (\$8,000,000)

Total Recommended Reductions

2013-14 2014-15

Recurring

Requirements (\$16,000,000) (\$16,000,000)

Receipts - -

Appropriation (\$16,000,000) (\$16,000,000)

Positions - -

Nonrecurring

Requirements - -

Receipts - -

Appropriation - -

Positions - -

<u>2013-14</u>	<u>2014-15</u>
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Appropriation	\$1,052,000	\$1,052,000
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Appropriation	\$1,000,000	\$1,000,000
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<u>2013-14</u>	<u>2014-15</u>
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Appropriation	\$2,052,000	\$2,052,000
Positions	-	-

Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Positions	-	-

**Total Recommended Adjustments for
Division of Public Health (14430)
2013-15**

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	(\$13,948,000)	(\$13,948,000)
Receipts	-	-
	<hr/>	<hr/>
Appropriation	(\$13,948,000)	(\$13,948,000)
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Positions	-	-
Total Appropriation Adjustments	(\$13,948,000)	(\$13,948,000)
Total Position Adjustments	-	-

Governor's Recommended Adjustments to Base Budget

Division of Social Services (14440)

Recommended General Fund Budget and Positions

	<u>2013-14</u>	<u>2014-15</u>
Base Budget		
Requirements	\$1,617,337,640	\$1,617,337,640
Receipts	<u>\$1,446,707,736</u>	<u>\$1,446,707,736</u>
Appropriation	\$170,629,904	\$170,629,904
Adjustments		
Requirements	(\$1,802,977)	(\$1,675,833)
Receipts	<u>(\$8,050,995)</u>	<u>(\$8,050,995)</u>
Appropriation	\$6,248,018	\$6,375,162
Total		
Requirements	\$1,615,534,663	\$1,615,661,807
Receipts	<u>\$1,438,656,741</u>	<u>\$1,438,656,741</u>
Recommended Appropriation	<u>\$176,877,922</u>	<u>\$177,005,066</u>
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Positions		
Base Budget Positions	415.000	415.000
Continuation	-	-
Reductions	-	-
Expansion	-	-
Recommended Positions	<u>415.000</u>	<u>415.000</u>

Appropriation Items -- Recommended Adjustments

Reductions

2013-14 2014-15

1. Seat Management

The department discontinued outsourcing management of its workstation capabilities, including installation, operation and maintenance of hardware and software (i.e., Seat Management). The reduction redirects Seat Management funding to General Fund availability.

Requirements	(\$3,077,454)	(\$3,077,454)
Receipts	(\$2,470,759)	(\$2,470,759)
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Appropriation	(\$606,695)	(\$606,695)

2. Contract and Administrative Savings

The division is discontinuing the Child Welfare Multiple Response System (MRS) Conference. The conference trained and supported counties while the MRS was being implemented statewide. The division has fully implemented the principles targeted as a part of MRS and as a result these funds are no longer needed. The forms and supply warehouse has closed, and the funding associated with the warehouse is no longer needed. Additionally, cost savings from Internet billing from Information Technology Services and other state administrative efficiencies result in savings.

Requirements	(\$1,820,013)	(\$1,820,013)
Receipts	(\$753,890)	(\$753,890)
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Appropriation	(\$1,066,123)	(\$1,066,123)

Total Recommended Reductions

2013-14 2014-15

Recurring

Requirements	(\$4,897,467)	(\$4,897,467)
Receipts	(3,224,649)	(3,224,649)
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Appropriation	(\$1,672,818)	(\$1,672,818)
Positions	-	-

Nonrecurring

Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Positions	-	-

Expansion

2013-14 2014-15

1. NC Reach

Funding is provided to increase the number of foster youth aging out of the foster care system and special needs children adopted after age 12 who attend college within the NC University and Community College Systems. Students may also receive other scholarships or federal grants. NC Reach funds are the payer of last resort cover items such as books, supplies, transportation, and room and board not covered by other funding sources. This increase in funding will serve an estimated 200 additional students each year.

Appropriation **\$1,094,490** **\$1,221,634**

2. Replace Reduced Federal Funds for County Child Welfare Services

County Departments of Social Services will receive less federal funding for child welfare administration in the upcoming state fiscal year due to a change in the application of federal policy. The state supports county DSS agencies at an overall rate of 31% of the non-federal share of their county budgets for public assistance and service programs. This funding provides a third of the lost federal funding and is a non-recurring appropriation to support the counties while the North Carolina Families Accessing Services through Technology (NC FAST) information system is being developed and implemented. Once fully implemented NC FAST is projected to save administrative costs for county DSS agencies.

Requirements - Nonrecurring - -

Receipts - Nonrecurring **(\$4,826,346)** **(\$4,826,346)**

Appropriation - Nonrecurring **\$4,826,346** **\$4,826,346**

3. Food Banks

Funding is provided for North Carolina Food Banks.

Requirements **\$2,000,000** **\$2,000,000**

Receipts - -

Appropriation **\$2,000,000** **\$2,000,000**

Total Recommended Expansion

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	\$3,094,490	\$3,221,634
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$3,094,490	\$3,221,634
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	(4,826,346)	(4,826,346)
	<hr/>	<hr/>
Appropriation	\$4,826,346	\$4,826,346
Positions	-	-

**Total Recommended Adjustments for
Division of Social Services (14440)
2013-15**

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	(\$1,802,977)	(\$1,675,833)
Receipts	(3,224,649)	(3,224,649)
	<hr/>	<hr/>
Appropriation	\$1,421,672	\$1,548,816
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	(4,826,346)	(4,826,346)
	<hr/>	<hr/>
Appropriation	\$4,826,346	\$4,826,346
Positions	-	-
Total Appropriation Adjustments	\$6,248,018	\$6,375,162
Total Position Adjustments	-	-

Governor's Recommended Adjustments to Base Budget

Division of Medical Assistance (14445)

Recommended General Fund Budget and Positions

	<u>2013-14</u>	<u>2014-15</u>
Base Budget		
Requirements	\$12,163,150,636	\$12,163,150,636
Receipts	<u>\$9,093,573,826</u>	<u>\$9,079,573,826</u>
Appropriation	\$3,069,576,810	\$3,083,576,810
Adjustments		
Requirements	\$1,022,696,708	\$1,628,796,683
Receipts	<u>\$880,193,198</u>	<u>\$1,275,949,447</u>
Appropriation	\$142,503,510	\$352,847,236
Total		
Requirements	\$13,185,847,344	\$13,791,947,319
Receipts	<u>\$9,973,767,024</u>	<u>\$10,355,523,273</u>
Recommended Appropriation	<u>\$3,212,080,320</u>	<u>\$3,436,424,046</u>
<hr/>		
Positions		
Base Budget Positions	428.250	428.250
Continuation	-	-
Reductions	-	-
Expansion	-	-
Recommended Positions	<u>428.250</u>	<u>428.250</u>

Appropriation Items -- Recommended Adjustments

Continuation

		<u>2013-14</u>	<u>2014-15</u>
1. Medicaid Rebase			
<p>The Medicaid program is evaluated every year to determine the funds required to continue the program at the current level without any state policy changes. Factors taken into consideration in completing the rebase include consumption of services, increased federal match, and annualization of the implementation of Managed Care Organizations for Mental Health Services. This year the rebase is also affected by the Affordable Care Act. Funding is included in the rebase for additional growth in eligibles due to the "woodwork" effect (\$34M), and for the extension of Medicaid to former foster care children until age 26 beginning January 1, 2014.</p>			
	Requirements	\$928,722,433	\$1,489,135,558
	Receipts	\$743,722,433	\$1,099,135,558
	Appropriation	\$185,000,000	\$390,000,000
2. Cost Settlements			
<p>Provides funds for Medicaid cost settlements. Medicaid cost settles with certain providers such as hospitals, skilled nursing facilities and Intermediate Care for the Mentally Retarded facilities (ICF-MRs). These providers are paid on a fee for service basis throughout the year. They turn in a cost report after their fiscal year has ended and then they are cost settled. The increase in funding is due to the increase in the number of Medicaid recipients for which these facilities receive a cost settlement.</p>			
	Requirements	\$73,439,412	\$73,439,412
	Receipts	\$55,439,412	\$55,439,412
	Appropriation	\$18,000,000	\$18,000,000
3. Contracts			
<p>This increase provides adequate funding for Medicaid contracts to ensure the appropriate level of medical service is provided, including contracts that provide prior authorization, utilization reviews and assessments of individuals receiving medical care. The increase is due to estimated increases in the Medicaid population. Funding is also provided for the asset verification contract, which will ensure Medicaid recipients are within the asset limit for eligibility determination purposes.</p>			
	Requirements	\$22,000,000	\$22,000,000
	Receipts	\$11,000,000	\$11,000,000
	Appropriation	\$11,000,000	\$11,000,000

Total Recommended Continuation

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	\$1,024,161,845	\$1,584,574,970
Receipts	810,161,845	1,165,574,970
Appropriation	\$214,000,000	\$419,000,000
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-

Reductions

	<u>2013-14</u>	<u>2014-15</u>
1. Private Duty Nursing Rates		
Currently registered nurses (RN) and licensed practical (LPN) nurses are paid the same rate even though their salaries are not the same; this item establishes differentiated payment rates for RNs and LPNs for private duty nursing services effective January 1, 2014.		
Requirements	(\$3,265,628)	(\$6,779,443)
Receipts	(\$2,122,658)	(\$4,406,638)
Appropriation	(\$1,142,970)	(\$2,372,805)
2. Cost Settle Hospital Outpatient Services to 70% of Cost		
Hospitals are paid on a fee schedule and addition hospitals payments are adjusted through a cost settlement process. This item modifies the hospital cost settlements from 80% of cost to 70% of cost, effective October 1, 2013. This adjustment provides a short term savings option to contain costs while DHHS and the Division of Medical Assistance develop a Medicaid reform initiative.		
Requirements	(\$73,409,750)	(\$101,599,093)
Receipts	(\$47,716,338)	(\$66,039,411)
Appropriation	(\$25,693,412)	(\$35,559,682)
3. Health Homes for the Chronically III		
This item budgets for enhanced federal matching funds for the Health Homes for the Chronically III Program. Medicaid recipients with co-occurring illnesses, including a chronic health condition and severe and		

persistent mental health conditions, are served in this program. The program will continue, but the enhanced matching funds end September 30, 2013.

Requirements - Nonrecurring	-	
Receipts - Nonrecurring	\$3,757,682	
Appropriation - Nonrecurring	(\$3,757,682)	-

4. Mental Health Drug Management

This item provides for prior authorization of mental health drugs, effective January 1, 2014, to ensure appropriate clinical outcomes for Medicaid recipients. This adjustment brings Mental Health drug policy in line with other drug classes that require prior authorization in the Medicaid program.

Requirements	(\$15,444,257)	(\$32,062,278)
Receipts	(\$10,021,267)	(\$20,804,151)
Appropriation	(\$5,422,990)	(\$11,258,127)

5. Modify Hospital Assessment Retention to Align with Other Providers

Hospitals receive enhanced Medicaid payments through the assessment program. Federal law allows hospital non-Medicare revenue to be assessed and allows states to retain a portion of the assessment. The remaining funds are matched with federal funds to provide enhanced payments to the hospitals. This changes the state retention from a set \$43M to a 28.85% retention, effective July 1, 2013, aligning the state retention of hospital assessments with the state retention of other providers who have been recently assessed.

Requirements	-	-
Receipts	\$60,000,000	\$60,000,000
Appropriation	(\$60,000,000)	(\$60,000,000)

6. Adjust Medicaid Copayments

Increase copayments from \$3.00 to \$3.90 for most services, effective November 1, 2013. Copayments do not apply to emergency services, family planning services, pregnancy-related services, or preventive services for children.

Requirements	(\$9,451,714)	(\$14,177,572)
Receipts	(\$6,143,614)	(\$9,215,422)
Appropriation	(\$3,308,100)	(\$4,962,150)

Total Recommended Reductions

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	(\$101,571,349)	(\$154,618,386)
Receipts	(6,003,877)	(40,465,622)
Appropriation	(\$95,567,472)	(\$114,152,764)
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	3,757,682	-
Appropriation	(\$3,757,682)	-
Positions	-	-

Expansion

	<u>2013-14</u>	<u>2014-15</u>
1. MMIS Implementation Contracts and Temporary Staff		
When the new MMIS is implemented on July 1, 2013 the system will not have all the edits and audits that the current system has in place. This funding will allow DMA to minimize improper claims from being paid by hiring temporary staff and contractors to perform some of the edits and audits until all edits and audits have been programmed.		
Requirements - Nonrecurring	\$4,828,664	
Receipts - Nonrecurring	-	
Appropriation - Nonrecurring	\$4,828,664	-
2. Transfer Children Under 133% of Poverty from Health Choice to Medicaid		
Effective January 1, 2014 the Affordable Care Act requires children under 133% of poverty to be moved from Health Choice to Medicaid. The enhanced federal matching percentage from the Health Choice program is retained for these children. It is estimated that this change will affect approximately 51,000 children. Health Choice appropriation is redirected to Medicaid to support this expansion.		
Requirements	\$95,277,548	\$198,840,099
Receipts	\$72,277,548	\$150,840,099
Appropriation	\$23,000,000	\$48,000,000

Total Recommended Expansion

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	\$95,277,548	\$198,840,099
Receipts	72,277,548	150,840,099
	<hr/>	<hr/>
Appropriation	\$23,000,000	\$48,000,000
Positions	-	-
Nonrecurring		
Requirements	\$4,828,664	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$4,828,664	-
Positions	-	-

**Total Recommended Adjustments for
Division of Medical Assistance (14445)
2013-15**

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	\$1,017,868,044	\$1,628,796,683
Receipts	876,435,516	1,275,949,447
	<hr/>	<hr/>
Appropriation	\$141,432,528	\$352,847,236
Positions	-	-
Nonrecurring		
Requirements	\$4,828,664	-
Receipts	3,757,682	-
	<hr/>	<hr/>
Appropriation	\$1,070,982	-
Positions	-	-
Total Appropriation Adjustments	\$142,503,510	\$352,847,236
Total Position Adjustments	-	-

Governor's Recommended Adjustments to Base Budget

NC Health Choice (14446)

Recommended General Fund Budget and Positions

	<u>2013-14</u>	<u>2014-15</u>
Base Budget		
Requirements	\$334,326,678	\$334,326,678
Receipts	<u>\$254,195,652</u>	<u>\$254,195,652</u>
Appropriation	\$80,131,026	\$80,131,026
Adjustments		
Requirements	(\$42,725,699)	(\$79,517,351)
Receipts	<u>(\$32,676,958)</u>	<u>(\$60,569,866)</u>
Appropriation	(\$10,048,741)	(\$18,947,485)
Total		
Requirements	\$291,600,979	\$254,809,327
Receipts	<u>\$221,518,694</u>	<u>\$193,625,786</u>
Recommended Appropriation	<u>\$70,082,285</u>	<u>\$61,183,541</u>
Positions		
Base Budget Positions	5.000	5.000
Continuation	-	-
Reductions	-	-
Expansion	-	-
Recommended Positions	<u>5.000</u>	<u>5.000</u>

Appropriation Items -- Recommended Adjustments

Continuation

	<u>2013-14</u>	<u>2014-15</u>
1. Health Choice Rebase		
Additional funds are provided to support anticipated growth in the Health Choice program.		
Requirements	\$23,970,876	\$44,693,363
Receipts	\$17,794,354	\$33,514,433
Appropriation	\$6,176,522	\$11,178,930

Total Recommended Continuation

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	\$23,970,876	\$44,693,363
Receipts	17,794,354	33,514,433
Appropriation	\$6,176,522	\$11,178,930
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Positions	-	-

Reductions

	<u>2013-14</u>	<u>2014-15</u>
1. Cost Settle Hospital Outpatient Services to 70% of Cost		
Hospitals are paid on a fee schedule and hospitals payments are adjusted through a cost settlement process. This item modifies the hospital cost settlements from 80% of cost to 70% of costs, effective October 1, 2013. This adjustment provides a short term savings option to contain costs while DHHS and the Division of Medical Assistance develop a Medicaid reform initiative.		
Requirements	(\$2,191,431)	(\$3,015,409)
Receipts	(\$1,643,573)	(\$2,261,557)
Appropriation	(\$547,858)	(\$753,852)

2. Mental Health Drug Management

This item provides for prior authorization of mental health drugs, effective January 1, 2014, to ensure appropriate clinical outcomes for Medicaid recipients. This adjustment brings Mental Health drug policy in line with other drug classes that are also prior authorized in the Medicaid program.

Requirements	(\$1,109,618)	(\$2,290,251)
Receipts	(\$832,213)	(\$1,717,688)
<hr/>		
Appropriation	(\$277,405)	(\$572,563)

3. Transfer Children Under 133% of Poverty from Health Choice to Medicaid

Effective January 1, 2014 the Affordable Care Act requires children under 133% of poverty to be moved from Health Choice to Medicaid. The enhanced federal matching percentage from the Health Choice program is retained for these children. It is estimated that this change will affect approximately 51,000 children. Health Choice appropriation is redirected to Medicaid to support this expansion.

Requirements	(\$52,195,526)	(\$107,705,054)
Receipts	(\$39,595,526)	(\$81,705,054)
<hr/>		
Appropriation	(\$12,600,000)	(\$26,000,000)

4. Contract Budget Adjustment

Adjusts budget to more accurately reflect need based on actual expenditures.

Requirements	(\$11,200,000)	(\$11,200,000)
Receipts	(\$8,400,000)	(\$8,400,000)
<hr/>		
Appropriation	(\$2,800,000)	(\$2,800,000)

Total Recommended Reductions

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	(\$66,696,575)	(\$124,210,714)
Receipts	(50,471,312)	(94,084,299)
<hr/>		
Appropriation	(\$16,225,263)	(\$30,126,415)
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
<hr/>		
Appropriation	-	-
Positions	-	-

Total Recommended Adjustments for NC Health Choice (14446) 2013-15		
	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	(\$42,725,699)	(\$79,517,351)
Receipts	(32,676,958)	(60,569,866)
	<hr/>	<hr/>
Appropriation	(\$10,048,741)	(\$18,947,485)
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Positions	-	-
Total Appropriation Adjustments	(\$10,048,741)	(\$18,947,485)
Total Position Adjustments	-	-

Governor's Recommended Adjustments to Base Budget

Divisions of Services for the Blind, Deaf, and Hard of Hearing (14450)

Recommended General Fund Budget and Positions

	<u>2013-14</u>	<u>2014-15</u>
Base Budget		
Requirements	\$33,017,455	\$33,017,455
Receipts	<u>\$24,838,837</u>	<u>\$24,838,837</u>
Appropriation	\$8,178,618	\$8,178,618
Adjustments		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Total		
Requirements	\$33,017,455	\$33,017,455
Receipts	<u>\$24,838,837</u>	<u>\$24,838,837</u>
Recommended Appropriation	<u>\$8,178,618</u>	<u>\$8,178,618</u>
<hr/>		
Positions		
Base Budget Positions	313.750	313.750
Continuation	-	-
Reductions	-	-
Expansion	—	—
Recommended Positions	<u>313.750</u>	<u>313.750</u>

Governor's Recommended Adjustments to Base Budget

**Division of Mental Health/Developmental Disabilities/Substance Abuse
Services (14460)**

Recommended General Fund Budget and Positions

	<u>2013-14</u>	<u>2014-15</u>
Base Budget		
Requirements	\$1,395,660,322	\$1,395,660,322
Receipts	<u>\$688,862,575</u>	<u>\$688,862,575</u>
Appropriation	\$706,797,747	\$706,797,747
Adjustments		
Requirements	\$7,792,689	(\$10,140,123)
Receipts	<u>\$416,264</u>	-
Appropriation	\$7,376,425	(\$10,140,123)
Total		
Requirements	\$1,403,453,011	\$1,385,520,199
Receipts	<u>\$689,278,839</u>	<u>\$688,862,575</u>
Recommended Appropriation	<u>\$714,174,172</u>	<u>\$696,657,624</u>
Positions		
Base Budget Positions	11,712.200	11,712.200
Continuation	-	-
Reductions	-	-
Expansion	-	-
Recommended Positions	<u>11,712.200</u>	<u>11,712.200</u>

Appropriation Items -- Recommended Adjustments

Reductions

	<u>2013-14</u>	<u>2014-15</u>
1. Fully Implement LME/MCO Administrative Methodology		
The Local Management Entities (LME) transition to Managed Care Organizations (MCO) included a change in methodology to determine their administrative budgets. The methodology calculates the administrative budget as a percentage (12%) of the community services budget and includes a Risk Reserve (2%). With the LMEs completing the transition by July 1, 2013, the methodology will be fully implemented and result in a savings to the General Fund.		
Appropriation	(\$15,228,245)	(\$15,228,245)
2. Budget Receipts from Gambling Fund Balance		
General Statute 18C-163 authorizes the transfer of lottery proceeds to the Department of Health and Human Services for gambling addiction education and treatment programs. The recommendation is to budget, on a non-recurring basis, accumulated fund balance and take a corresponding reduction in General Fund appropriation. A reduction in the level of service is not anticipated.		
Requirements	-	
Receipts - Nonrecurring	\$416,264	
Appropriation - Nonrecurring	(\$416,264)	-
Total Recommended Reductions		
	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	(\$15,228,245)	(\$15,228,245)
Receipts	-	-
Appropriation	(\$15,228,245)	(\$15,228,245)
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	416,264	-
Appropriation	(\$416,264)	-
Positions	-	-

Expansion

2013-14 2014-15

1. New Broughton Hospital

In Session Law 2006-66, the General Assembly authorized financing to support construction of a new and expanded Broughton Hospital. The hospital is scheduled to open in December 2014. To make the hospital operational, funding is requested for medical equipment, furniture and information technology infrastructure.

Appropriation - Nonrecurring \$23,020,934 \$5,088,122

Total Recommended Expansion

2013-14 2014-15

Recurring

Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Positions	-	-

Nonrecurring

Requirements	\$23,020,934	\$5,088,122
Receipts	-	-
	<hr/>	<hr/>
Appropriation	\$23,020,934	\$5,088,122
Positions	-	-

**Total Recommended Adjustments for
Division of Mental Health/Developmental
Disabilities/Substance Abuse Services (14460)
2013-15**

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	(\$15,228,245)	(\$15,228,245)
Receipts	-	-
	<hr/>	<hr/>
Appropriation	(\$15,228,245)	(\$15,228,245)
Positions	-	-
Nonrecurring		
Requirements	\$23,020,934	\$5,088,122
Receipts	416,264	-
	<hr/>	<hr/>
Appropriation	\$22,604,670	\$5,088,122
Positions	-	-
Total Appropriation Adjustments	\$7,376,425	(\$10,140,123)
Total Position Adjustments	-	-

Governor's Recommended Adjustments to Base Budget

Division of Health Service Regulation (14470)

Recommended General Fund Budget and Positions

	<u>2013-14</u>	<u>2014-15</u>
Base Budget		
Requirements	\$64,641,253	\$64,641,253
Receipts	<u>\$47,879,261</u>	<u>\$47,879,261</u>
Appropriation	\$16,761,992	\$16,761,992
Adjustments		
Requirements	-	-
Receipts	-	-
Appropriation	-	-
Total		
Requirements	\$64,641,253	\$64,641,253
Receipts	<u>\$47,879,261</u>	<u>\$47,879,261</u>
Recommended Appropriation	<u>\$16,761,992</u>	<u>\$16,761,992</u>
Positions		
Base Budget Positions	555.500	555.500
Continuation	-	-
Reductions	-	-
Expansion	—	—
Recommended Positions	<u>555.500</u>	<u>555.500</u>

Governor's Recommended Adjustments to Base Budget

Division of Vocational Rehabilitation Services (14480)

Recommended General Fund Budget and Positions

	<u>2013-14</u>	<u>2014-15</u>
Base Budget		
Requirements	\$140,184,692	\$140,184,692
Receipts	<u>\$100,900,549</u>	<u>\$100,900,549</u>
Appropriation	\$39,284,143	\$39,284,143
Adjustments		
Requirements	(\$10,000)	(\$10,000)
Receipts	-	-
Appropriation	(\$10,000)	(\$10,000)
Total		
Requirements	\$140,174,692	\$140,174,692
Receipts	<u>\$100,900,549</u>	<u>\$100,900,549</u>
Recommended Appropriation	<u>\$39,274,143</u>	<u>\$39,274,143</u>
Positions		
Base Budget Positions	1,030.500	1,030.500
Continuation	-	-
Reductions	-	-
Expansion	-	-
Recommended Positions	<u>1,030.500</u>	<u>1,030.500</u>

Appropriation Items -- Recommended Adjustments

Reductions

2013-14 2014-15

1. Independent Living Program Administration

Reduces the administrative budget for the Independent Living Program.

Appropriation (\$10,000) (\$10,000)

Total Recommended Reductions

2013-14 2014-15

Recurring

Requirements (\$10,000) (\$10,000)

Receipts - -

Appropriation (\$10,000) (\$10,000)

Positions - -

Nonrecurring

Requirements - -

Receipts - -

Appropriation - -

Positions - -

**Total Recommended Adjustments for
Division of Vocational Rehabilitation
Services (14480)
2013-15**

	<u>2013-14</u>	<u>2014-15</u>
Recurring		
Requirements	(\$10,000)	(\$10,000)
Receipts	-	-
	<hr/>	<hr/>
Appropriation	(\$10,000)	(\$10,000)
Positions	-	-
Nonrecurring		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Positions	-	-
Total Appropriation Adjustments	(\$10,000)	(\$10,000)
Total Position Adjustments	-	-